

ARGAN, INC. AND SUBSIDIARIES
Consolidated Statements of Operations

	<u>Three Months Ended July 31,</u>		<u>Six Months Ended July 31,</u>	
	<u>(unaudited)</u>		<u>(unaudited)</u>	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
Net revenues				
Power industry services	\$ 70,639,000	\$ 45,599,000	\$ 114,647,000	\$ 88,953,000
Nutritional products	2,226,000	5,036,000	4,625,000	9,985,000
Telecommunication infrastructure services	2,233,000	2,502,000	4,232,000	4,631,000
Net revenues	<u>75,098,000</u>	<u>53,137,000</u>	<u>123,504,000</u>	<u>103,569,000</u>
Cost of revenues				
Power industry services	63,108,000	40,590,000	101,684,000	83,835,000
Nutritional products	2,395,000	4,122,000	4,718,000	8,288,000
Telecommunication infrastructure services	1,875,000	1,858,000	3,649,000	3,701,000
Cost of revenues	<u>67,378,000</u>	<u>46,570,000</u>	<u>110,051,000</u>	<u>95,824,000</u>
Gross profit	<u>7,720,000</u>	<u>6,567,000</u>	<u>13,453,000</u>	<u>7,745,000</u>
Selling, general and administrative expenses	4,016,000	4,773,000	8,027,000	9,334,000
Impairment losses of VLI	1,946,000	--	1,946,000	--
Income (loss) from operations	<u>1,758,000</u>	<u>1,794,000</u>	<u>3,480,000</u>	<u>(1,589,000)</u>
Other income, net	<u>159,000</u>	<u>472,000</u>	<u>543,000</u>	<u>901,000</u>
Income (loss) from operations before income taxes	1,917,000	2,266,000	4,023,000	(688,000)
Income tax (expense) benefit	<u>(1,111,000)</u>	<u>(932,000)</u>	<u>(1,662,000)</u>	<u>7,000</u>
Net income (loss)	<u>\$ 806,000</u>	<u>\$ 1,334,000</u>	<u>\$ 2,361,000</u>	<u>\$ (681,000)</u>
Income (loss) per share				
Basic	<u>\$ 0.07</u>	<u>\$ 0.12</u>	<u>\$ 0.21</u>	<u>\$ (0.06)</u>
Diluted	<u>\$ 0.07</u>	<u>\$ 0.12</u>	<u>\$ 0.20</u>	<u>\$ (0.06)</u>
Weighted average number of shares outstanding:				
Basic	<u>11,860,000</u>	<u>11,094,000</u>	<u>11,493,000</u>	<u>11,094,000</u>
Diluted	<u>12,226,000</u>	<u>11,196,000</u>	<u>11,854,000</u>	<u>11,094,000</u>

Reconciliations to EBITDA

	<u>Three Months Ended July 31,</u>		<u>Six Months Ended July 31,</u>	
	<u>(unaudited)</u>		<u>(unaudited)</u>	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
Net income (loss), as reported	\$ 806,000	\$ 1,334,000	\$ 2,361,000	\$ (681,000)
Impairment losses of VLI	1,946,000	--	1,946,000	--
Amortization of purchased intangible assets	402,000	2,025,000	1,174,000	4,089,000
Stock option compensation expense	391,000	86,000	788,000	100,000
Depreciation and other amortization	344,000	320,000	683,000	644,000
Interest expense	108,000	185,000	228,000	378,000
Income tax expense (benefit)	<u>1,111,000</u>	<u>932,000</u>	<u>1,662,000</u>	<u>(7,000)</u>
EBITDA	<u>\$ 5,108,000</u>	<u>\$ 4,882,000</u>	<u>\$ 8,842,000</u>	<u>\$ 4,523,000</u>

Management uses EBITDA, a non-GAAP financial measure, for planning purposes, including the preparation of operating budgets and to determine appropriate levels of operating and capital investments. Management believes that EBITDA provides additional insight for analysts and investors in evaluating the Company's financial and operational performance and in assisting investors in comparing the Company's financial performance to those of other companies in the Company's industry. However, EBITDA is not intended to be an alternative to financial measures prepared in accordance with GAAP and should not be considered in isolation from our GAAP results of operations. Pursuant to the requirements of SEC Regulation G, a detailed reconciliation between the Company's GAAP and non-GAAP financial results is provided above and investors are advised to carefully review and consider this information as well as the GAAP financial results that are disclosed in the Company's SEC filings.

ARGAN, INC. AND SUBSIDIARIES
Consolidated Balance Sheets
(unaudited)

	<u>July 31, 2008</u>	<u>January 31, 2008</u>
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 104,001,000	\$ 66,827,000
Escrowed cash	10,312,000	14,398,000
Accounts receivable, net of allowance for doubtful accounts	22,806,000	30,481,000
Inventories, net of reserve for obsolescence	2,662,000	2,808,000
Current deferred tax assets	1,120,000	406,000
Prepaid expenses and other current assets	<u>2,045,000</u>	<u>1,330,000</u>
TOTAL CURRENT ASSETS	142,946,000	116,250,000
Property and equipment, net of accumulated depreciation	1,492,000	2,892,000
Goodwill	19,416,000	20,337,000
Other purchased intangible assets, net of accumulated amortization	4,036,000	5,296,000
Investment in unconsolidated subsidiary	435,000	--
Deferred tax assets	1,478,000	828,000
Other assets	<u>192,000</u>	<u>260,000</u>
TOTAL ASSETS	<u>\$ 169,995,000</u>	<u>\$ 145,863,000</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable	\$ 44,356,000	\$ 35,483,000
Accrued expenses	7,330,000	9,370,000
Billings in excess of cost and earnings	41,988,000	52,313,000
Current portion of long-term debt	<u>2,548,000</u>	<u>2,581,000</u>
TOTAL CURRENT LIABILITIES	96,222,000	99,747,000
Long-term debt	2,875,000	4,134,000
Other liabilities	<u>75,000</u>	<u>116,000</u>
TOTAL LIABILITIES	<u>99,172,000</u>	<u>103,997,000</u>
STOCKHOLDERS' EQUITY		
Preferred stock, par value \$0.10 per share; 500,000 shares authorized; no shares issued and outstanding	--	--
Common stock, par value \$0.15 per share; 30,000,000 shares authorized; 13,413,684 and 11,113,534 shares issued at 7/31/08 and 1/31/08, and 13,410,451 and 11,110,301 shares outstanding at 7/31/08 and 1/31/08, respectively	2,011,000	1,667,000
Warrants outstanding	790,000	834,000
Additional paid-in capital	84,113,000	57,861,000
Accumulated other comprehensive loss	(63,000)	(107,000)
Accumulated deficit	(15,995,000)	(18,356,000)
Treasury stock, at cost; 3,233 shares at 7/31/08 and 1/31/08	<u>(33,000)</u>	<u>(33,000)</u>
TOTAL STOCKHOLDERS' EQUITY	<u>70,823,000</u>	<u>41,866,000</u>
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	<u>\$ 169,995,000</u>	<u>\$ 145,863,000</u>